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# THE AMALGAMATED COPPER COMPANY: A CLOSED CHAPTER IN CORPORATION FINANCE

## SUMMARY

The original constituents of Amalgamated, 388.—Absorption of Boston & Montana and Butte & Boston, 389.—United Copper, 391.—Relations of United Metals, Utah Consolidated, and International Smelting and Refining Company, 392.—Purchase of properties by Anaconda, 395.—Expansion of International; its absorption and dissolution, 397.—Dissolution of Amalgamated, 402.—Conclusions, 406.

ON June 7, 1915, by a unanimous vote of the shares represented at the meeting then held, the Amalgamated Copper Company voted to dissolve itself.<sup>1</sup> It had at that time existed for a little more than sixteen years, having been incorporated in New Jersey on April 27, 1899.<sup>2</sup> Its history and that of some of its subsidiaries form an interesting chapter in corporation finance and corporate organization. In tracing this history it will be necessary to leave a number of loose threads in the narration, which can be tied together only toward the close.

The advertisements which appeared in newspapers and financial journals at the end of April, 1899,<sup>3</sup> inviting public subscriptions at par to the stock of the Amalgamated Copper Company, gave but a vague notion of the kind or amount of property the company held. They told of a \$75,000,000 corporation, formed to purchase and operate copper-producing properties, which

<sup>1</sup> Comm. and Fin. Chron., 100:2012.

<sup>2</sup> Weed, W. H., *The Copper Handbook*, XI:35

<sup>3</sup> As in Comm. and Fin. Chron., vol. 68, issue of April 29, 1899.

had already purchased "large interests" in the Anaconda Copper Mining Company, the Parrot Silver & Copper Company, the Washoe Copper Company, the Colorado Smelting & Mining Company (all operating at Butte, Montana), and "other companies and properties." The stock was oversubscribed. How much of its attractiveness was due to the announced presence on the directorate of Henry H. Rogers, William G. Rockefeller, James Stillman, and other men of importance in the financial world, it is of course impossible to say. Just a month later, Messrs. Rogers, William Rockefeller, William G. Rockefeller, and A. C. Burrage, all identified with Standard Oil, were elected directors of Anaconda;<sup>1</sup> which showed that, whether or not the Amalgamated Company owned a controlling interest in the great Butte mine, the Amalgamated group had control of it. As a matter of fact, President Ryan of the Amalgamated, in 1915 stated that the company had always held a majority of the stock of the Anaconda.<sup>2</sup> In 1899 the capitalization of the latter was \$30,000,000 in 1,200,000 shares.

In November, 1900, Amalgamated was admitted for trading purposes to the Unlisted Department of the New York Stock Exchange.<sup>3</sup> Admission to this department (which no longer exists) entailed the submission of only meager reports to the officials of the Exchange. In such a report, made in 1900, we find it stated that the company owned all but organizers' shares of the Washoe Copper Company, the Colorado Smelting and Mining Company, the Diamond Coal & Coke Company, and the Big Blackfoot Milling Company (a lumber concern),

<sup>1</sup> *Comm. and Fin. Chron.*, 68:1022

<sup>2</sup> *Ibid.*, 100:1594

<sup>3</sup> The report of the Committee on Unlisted Securities, of November 23, 1900, in which admission was granted to Amalgamated, is reproduced in full in Moody, *The Truth about the Trusts*, chapter 1

a majority of the shares of the Anaconda, the Parrot, and the Hennessy Mercantile Company, and a large number of shares in the Boston & Montana Consolidated Copper and Silver Mining Company, of Butte.<sup>1</sup> The last-named, one of the Bigelow-Lewisohn<sup>2</sup> mines, was one of the richest copper mines in the world.

If now we assume that these holdings were, save for the Boston & Montana, approximately those that the company began with, and if we use the figures given on page 394; and if we assume further that in the case of these particular stocks the amounts owned had not changed in the intervening years, save for the reorganization of the Colorado Company as the Trenton Mining & Development Company, we get the following figures for the par values of the security assets of the Amalgamated (save for the shares in Boston & Montana):<sup>3</sup>

Company	No Shares Owned	Par Value	Total Par
Anaconda . . . . .	620,000	\$25	\$15,500,000
Parrot . . . . .	115,299	10	1,152,990
Colorado . . . . .			2,500,000
Washoe . . . . .	30,459	100	3,045,900
Diamond . . . . .	149,993	10	1,499,930
Big Blackfoot . . . . .	6,395	100	639,500
Total par value of above stocks owned			\$24,338,320

In April, 1901, Kidder, Peabody & Company, of Boston, announced that they had been asked to arrange a consolidation of the Boston & Montana and the Butte & Boston Consolidated Mining Company (another Butte company under Bigelow-Lewisohn control) with the Amalgamated.<sup>4</sup> They said that they would receive

<sup>1</sup> Comm and Fin Chron, 71:1117 Moody, The Truth about the Trusts, p 14

<sup>2</sup> Albert S Bigelow of Boston was associated with the Lewisohns of New York in a number of copper-mining operations in Michigan, Montana, Arizona, and Tennessee. Lewisohn Bros was a firm of metal brokers in New York City

<sup>3</sup> Anaconda, the chief constituent of the combination, had paid dividends as follows since its organization in 1895: 1896, 7½%; 1897, 10%; 1898, 10% In 1899 it paid 13%. Eng'g and Min'g Jour, 67 37, 69:39 The writer holds no brief for either of the assumptions in the text and must confess entire ignorance as to the real situation.

<sup>4</sup> Comm and Fin. Chron., 72.777.

deposits of the stocks of these two companies and that, in case fair terms of exchange could be arranged, depositors who were satisfied might receive Amalgamated shares in certain ratios, or \$375 a share for Boston & Montana and \$92.50 a share for Butte & Boston.<sup>1</sup> It is sufficient here to say that later, for each share of Boston & Montana (\$25 par), four shares of Amalgamated (\$100 par each) were given, and for each share of Butte & Boston (\$10 par), one share of Amalgamated.<sup>2</sup> Stockholders of Amalgamated voted to increase its capitalization by \$80,000,000, from \$75,000,000 to \$155,000,000, in order to absorb the two companies, whose combined capitalization was only \$5,750,000.<sup>3</sup> The Amalgamated was soon possessed of practically all the shares of its two competitors, and had issued, all told, \$153,887,900 of its own stock.<sup>4</sup>

We find here a much greater absolute and relative inflation of capitalization than took place in 1899. Boston & Montana, however, it should be said at once, with a stock issue of only \$3,750,000, possessed not only a remarkably rich copper mine, but, thanks to large earnings that had been reinvested, a reduction plant at Great Falls, Montana, that included a first-class smelter and an electrolytic refinery. Its dividend record, further, was a good one. From 1888 to 1900 it paid forty-two dividends.<sup>5</sup> In 1895, the rate was 28 per cent; in 1896, 40 per cent; in 1897, 48 per cent; in 1898, 64 per cent; in 1899, 144 per cent; in 1900, 172 per cent.<sup>6</sup> Butte & Boston had been reorganized in

<sup>1</sup> The range of prices on the Boston Stock Market during the preceding month, March, 1901, was Boston & Montana, 330-370; Butte & Boston, 85¼-106; Amalgamated, 94½-104¼ *Eng'g and Min'g Jour.*, 73:75

<sup>2</sup> *Ibid.*, 72:1082.

<sup>3</sup> *Ibid.*, 72:1239 Boston & Montana, \$3,750,000, Butte & Boston, \$2,000,000.

<sup>4</sup> Either the Boston & Montana owned in 1900 had been disposed of, or stock was now issued against it. This is easily computed by comparing the shares of the two companies not owned (p 394) with the par value of Amalgamated stock not issued.

<sup>5</sup> *Ibid.*, 70:531.

<sup>6</sup> *Ibid.*, 73:209

1897,<sup>1</sup> after receivership proceedings; it was no such property as Boston & Montana, and had no such dividend record behind it. The market quotations of these stocks are of no real value in appraising the companies, since they were highly speculative issues in which violent movements took place. On the basis of earning capacity, there can be little doubt that Butte & Boston was taken in at too high a figure, Boston & Montana at none too conservative a figure.

In the following year, again in the latter part of April, the United Copper Company was incorporated in New Jersey, as a holding company.<sup>2</sup> Butte mining properties and others were acquired. Its president was F. Augustus Heinze, who, since the middle nineties, had been making trouble for the Boston & Montana, the Butte & Boston, the Parrot, and the Anaconda, by litigation for possession of mining veins in the Butte camp. Some of the companies which went to make up the United Company, owned or otherwise held mining claims in various sections of the camp, and were extracting ore that neighboring companies charged they had no right to, and were similarly charging their neighbors with unlawful extractions. There were at times one hundred or more suits and counter-suits pending, and the situation was almost intolerable. It changed only when in 1906 Heinze was bought out. The process consisted of the taking over of Heinze's Butte copper properties by a new company, the Butte Coalition Mining Company, formed and controlled by interests friendly to the Amalgamated.<sup>3</sup> The Red Metal Mining Company was organ-

<sup>1</sup> Eng'g and Min'g Jour., 90:1551 In the fourteen years of its existence, from 1897 to 1911, its dividend record was as follows: 1900, 50%, 1901, 30%; 1904, 10% (Eng'g and Min'g Jour., 71 42; 73 55, 79-70 Copper Handbook, X.495.)

<sup>2</sup> Eng'g and Min'g Jour., 74:942

<sup>3</sup> Ibid, 82:511. Stevens, The Copper Handbook, VIII:432 Moody's Manual, VII:2032 The president of the new company was Thomas F Cole, who was associated in a number of copper-mining enterprises with John D Ryan, then Managing Director of Amalgamated. Mr. Ryan was on the directorate of the Coalition

ized at the same time, as the operating company for the properties transferred, and its shares were all held by the Butte Coalition. By means of this consummation, some eighty law suits between Amalgamated and Heinze interests were dismissed.<sup>1</sup>

Now in January, 1900, there had been incorporated in New Jersey the United Metals Selling Company, with \$5,000,000 capital, to take over the business of the Lewisohn Bros. metal-selling agency.<sup>2</sup> The first directorate included, besides Leonard and Adolph Lewisohn, William Rockefeller and Henry H. Rogers. The company did not engage merely in selling metals, but acquired the stock of the Raritan Copper Works, a large copper refinery at Perth Amboy, N. J.<sup>3</sup> It thus made itself an important factor in the production as well as in the sale of copper. Tho not an Amalgamated subsidiary, it was distinctly under the control of Amalgamated interests; and it refined some and sold all of the copper produced by Amalgamated subsidiaries and other allied or friendly concerns. It was a profitable affair, its dividend rate never being under 10 per cent a year, except in 1901, and in the later years of its existence 20 per cent or more.<sup>4</sup>

In 1903, there was formed the Utah Consolidated Mining Company, as a reorganization of an English company (the Utah Consolidated Gold Mines, Ltd.) which had been operating the Highland Boy copper mine at Bingham, Utah, not far from Salt Lake City.<sup>5</sup> The president of the new company was Urban H. Broughton (son-in-law of Henry H. Rogers), who had been General Manager of the English company.<sup>6</sup> The

<sup>1</sup> *Comm. and Fin. Chron.*, 82:570

<sup>2</sup> *Ibid.*, 70:284

<sup>3</sup> *Copper Handbook* VIII:1359,

<sup>4</sup> *Comm. and Fin. Chron.*, 83:1541; *Copper Handbook*, X:1728.

<sup>5</sup> *Ibid.*, VIII:1746

<sup>6</sup> *Ibid.*, III. 533, 534, VII:1374, 1375.

company smelted its own ores until in 1907 a court injunction caused the smelter to be closed down because of alleged damage to agricultural operations in the vicinity, from the smelter fumes.<sup>1</sup> The Garfield Smelting Company, a subsidiary of the American Smelters Securities Company, then made a contract with the Utah Consolidated for smelting its ores.<sup>2</sup> In 1908, however, the copper company entered into a contract with W. D. Thornton, of Butte, whereby the latter agreed to erect a smelter nearby, at Tooele, Utah, to treat Utah Consolidated ores at a more favorable rate than obtained under the Garfield contract, and to give the Utah Consolidated an option on any part of \$500,000 capital stock of the new smelting company that was to be formed.<sup>3</sup> In December, 1908, the International Smelting and Refining Company was incorporated in New Jersey, to take over the contract and build a smelter to treat Utah Consolidated ores and others that might be offered for reduction.<sup>4</sup> It issued \$10,000,000 stock.<sup>5</sup> Its first directorate included Mr. Broughton, President of the Utah Consolidated and an officer of the United Metals Selling Company; Mr. Cole, President of the Butte Coalition; Mr. Ryan, Managing Director of Amalgamated; Adolph Lewisohn, President of United Metals; Thomas Morrison, Director of the United States Steel Corporation; C. F. Brooker, President of the American Brass Company; and others. Mr. Ryan was elected President.<sup>6</sup> (About two months later, upon the decease of Henry H. Rogers, Mr. Ryan was chosen President of Amalgamated in his stead.) At the time that the directors were elected, the company purchased from the

<sup>1</sup> *Comm and Fin Chron*, 86:55

<sup>2</sup> *Ibid*, 86:289

<sup>3</sup> *Ibid*, 87:1483

<sup>4</sup> *Ibid*, 87:1666

<sup>5</sup> *Copper Handbook*, X:986

<sup>6</sup> *Comm and Fin Chron*, 88 885, 886, 90.1552



United Metals Selling Company all the capital stock of the Raritan Copper Works and certain ancillary companies.<sup>1</sup> It later organized the Tooele Valley Railway Company, to build a road to connect the plant with the San Pedro, Los Angeles and Salt Lake Railroad. The Utah Consolidated exercised its option and bought \$500,000 International stock.<sup>2</sup>

The next move of interest for our purpose came in January, 1910, when it was announced that shareholders of the Anaconda would vote on March 23 to authorize an increase in the stock of the company from \$30,000,000 to \$150,000,000, part of the new stock to be used to acquire other companies at Butte.<sup>3</sup> This step was said to be for the purpose of obviating all possibilities of litigation under mining laws, such as had been carried on with the Heinze interests, and to open the way for the introduction of certain mining economies. Shortly after the announcement was made, the Amalgamated, in a statement to the New York Stock Exchange accompanying an application for regular listing on the Board, reported its security holdings as follows:<sup>4</sup>

Company	Shares Issued		Total Par Value	No Shares Owned by Amalgamated
	Number	Par		
Anaconda .	1,200,000	\$25	\$30,000,000	620,000
Boston & Montana	150,000	25	3,750,000	147,915
Butte & Boston .	200,000	10	2,000,000	197,220
Parrot	229,850	10	2,298,500	115,299
Trenton . . .	10,000	100	1,000,000	9,995
Washoe	30,464	100	3,046,400	30,459
Big Blackfoot . .	6,400	100	640,000	6,395
Diamond Coal	150,000	10	1,500,000	149,993
Mountain Trading	1,110	100	110,000	1,107
Greene-Cananea <sup>5</sup> .	2,500,000	20	50,000,000	100,000
Butte Coal'n . . .	1,000,000	15	15,000,000	50,000

<sup>1</sup> Comm. and Fin Chron, 90:1552

<sup>2</sup> Ibid, 91:275

<sup>3</sup> Ibid, 90:305

<sup>4</sup> Comm and Fin Chron, 90.693

<sup>5</sup> A holding company for certain Mexican copper properties Mr Cole was president, and Mr Ryan a director. Copper Handbook, X:894, VIII:746

On March 23, the Anaconda shareholders authorized the proposed increase<sup>1</sup> and it was announced that 3,020,000 shares, of \$75,500,000 par value, would be issued in exchange for the properties of the following companies, in the amounts stated:

Company	Anaconda Stock to be Issued	
	No. of Shares	Total Par Value
Boston & Montana .. . . .	1,200,000	\$30,000,000
Butte & Boston . . . . .	300,000	7,500,000
Washoe Copper Co . . . . .	380,000	9,500,000
Trenton M & D Co . . . . .	120,000	3,000,000
Parrot Silver & Copper Co . . . . .	90,000	2,250,000
Big Blackfoot Lumber Co <sup>2</sup> . . . . .	300,000	7,500,000
Diamond Coal & Coke Co . . . . .	100,000	2,500,000
Red Metal Mining Co . . . . .	500,000	12,500,000
Alice Gold & Silver Mining Co <sup>3</sup> . . . . .	30,000	750,000

The situation therefore involved taking over those mining and smelting properties in and near Butte in which control by stock ownership was held by the Amalgamated and by Butte Coalition, as well as the companies which supplied timber and fuel to the Anaconda for its mining and smelting operations.

The most obvious thing about these two tables is that in the case of five of the exchanges a greater par value of stock was being issued than would be retired in the event of the dissolution of the companies purchased. In this list is hardly to be included the Washoe Copper Company, since in addition to its three million odd dollars of stock it had outstanding about \$8,000,000 of notes, in the hands of the Amalgamated, for money borrowed, part of it for construction work at its magnificent smelting plant at Anaconda, Montana.<sup>4</sup> It should be said also that the Big Blackfoot Lumber Company had not the same small capitalization as the original Big

<sup>1</sup> Comm and Fin Chron., 90:851.

<sup>2</sup> Successor of the Big Blackfoot Milling Co Ibid , 90.1551

<sup>3</sup> A famous old Butte silver mine The majority of its stock was held at this time by Butte Coalition Copper Handbook, X:497.

<sup>4</sup> Copper Handbook, X:1804.

Blackfoot Milling Company, but one of \$2,500,000; it was, however, merely the successor of the Milling Company.<sup>1</sup>

The next thing to be noted is that whereas Amalgamated, nine years previously, had issued \$60,000,000 of its stock for the stock of the Boston & Montana, and \$20,000,000 for that of the Butte & Boston, Anaconda was now offering for the properties of these two companies respectively \$30,000,000 and \$7,500,000 of its stock. To be sure, each of the companies had in the meanwhile produced considerable copper, silver, and gold, and had to that extent depleted its resources. It is true, further, on the one hand, that whereas in 1901 Butte & Boston had \$1,500,000 bonds outstanding,<sup>2</sup> these had now been retired, and on the other hand, that while in the earlier year the same company was at least temporarily on a dividend-paying basis, at the time now under consideration it had not paid a dividend in six years. Bearing on the situation also is the fact that at this time the market value of Anaconda was roughly \$50 a share,<sup>3</sup> and that the exchange value of the securities it was turning over to the shareholders of the two companies was just about twice their par value. (This is of course no less significant in the consideration of the other exchanges made at the same time.) Finally, Amalgamated was almost the only shareholder in Boston & Montana and Butte & Boston; tho, to be sure, it was far from the only holder of Anaconda stock, and the equities of all the other owners were clearly affected by such a large increase of capitalization as was now to take place. Amalgamated absorbed most of the increase, so that whereas it had hitherto held only

<sup>1</sup> *Comm and Fin Chron*, 90:1551

<sup>2</sup> *Eng'g and Min'g Jour.*, 62:614; *Copper Handbook*, VIII:429, X.495.

<sup>3</sup> *Comm and Fin Chron*, 90.288, 830

a few thousand shares more than a majority, it was now to own over 3,000,000 out of a total issue of about 4,200,000 shares.

Its holdings were before long to increase further. Later in the same year, in May, 1910, it purchased from W. A. Clark certain of his properties in Butte, including a few mines, a smelter, and a realty company.<sup>1</sup> It gave Mr. Clark, in payment for these, its notes for \$5,000,000. It then turned the properties over to the Anaconda, receiving therefor 112,500 shares of the stock of the latter company. This transaction increased the capitalization of the Anaconda to \$108,312,500, in 4,332,500 shares.<sup>2</sup>

We come back now to the United Metals Selling Company and the International Smelting and Refining Company. When the Raritan Works were turned over by the United Metals to the International, 40,000 shares of stock of the latter as well as cash passed to the Selling Company.<sup>3</sup> In March, 1911, the Amalgamated sold to the National City Bank and the Guaranty Trust Company of New York \$12,500,000 5 per cent notes, due April 1, 1913, most of the proceeds of which were to be used in absorbing the United Metals Selling Company.<sup>4</sup> The Amalgamated later reported that for the 50,000 shares, of \$100 par, outstanding, it had offered net \$241 a share. All of the stock was in the end acquired.<sup>5</sup> The official announcement said that the purchase was made just as the contract between the two companies for the sale of copper and other products was about to expire, it being thought best by the directors of the Amalgamated that the selling organization should be controlled and managed by the Amalgamated. The United Metals,

<sup>1</sup> *Comm. and Fin Jour*, 90:1426, 92:1559.

<sup>2</sup> *Moody's Analysis of Investments*, 1915, Pt. II, p. 1476.

<sup>3</sup> *Copper Handbook*, X:1728.

<sup>4</sup> *Comm and Fin Chron*, 92:727.

<sup>5</sup> *Ibid.*, 92:1559; 94:1564

therefore, which was in the first instance formed by "Amalgamated people," had made a good share of its profits by refining and selling the products of Amalgamated mines, and had in eleven years paid out 210 per cent in dividends on its \$5,000,000 capitalization, was now sold to Amalgamated for \$12,050,000. We shall see later what further developments took place.

The Red Metal Mining Company meanwhile, all of whose stock was held by the Butte Coalition, and virtually all of whose assets consisted of 500,000 shares of Anaconda, was in 1911 dissolved, the Butte Coalition thereby becoming the owner of the Anaconda stock.<sup>1</sup> Among the other assets of the Coalition were a majority of the shares of the Alice Gold and Silver Mining Company and 3000 shares of International Smelting and Refining Company, which latter, in the words of President Cole, it had, in March, 1909, been "given the opportunity to subscribe for" at par. Since the assets of the Alice Company consisted at this time of 30,000 shares of Anaconda, the Butte Coalition would increase its holdings of the latter upon the dissolution of the Alice, a step already decided on but held up by litigation.<sup>2</sup> Butte Coalition, however, was dissolved later in 1911; and by this step, which involved the distribution of cash and 520,000 shares of Anaconda, Amalgamated received 26,000 more shares of its chief subsidiary, for its 50,000 shares of Coalition.<sup>3</sup> The 3000 shares of International had presumably been sold and turned into cash and perhaps some Anaconda stock.

In this same year (1911) the Boston & Montana and the Butte & Boston were dissolved as part of the general scheme of dissolution of the companies whose properties the Anaconda had taken over.<sup>4</sup> The Parrot

<sup>1</sup> *Comm. and Fin. Chron.*, 92:1562.

<sup>2</sup> *Ibid.*, 94:1564

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*, 92:192.

also was to have been dissolved, but a suit in the Federal Courts, by two Boston stockholders, sought to set aside the sale of the Parrot Company's property on the ground of insufficient consideration and fraud, and thus delayed dissolution. The suit was decided in favor of the defendants in 1914.<sup>1</sup> Meanwhile the immediate winding up of the affairs of the company was impossible.<sup>2</sup>

The scene of operations then shifts to Arizona. Early in 1912 the Inspiration Consolidated Copper Company was formed to unite the Inspiration Copper Company and the Live Oak Copper Company, two large low-grade copper mines at Miami, Arizona.<sup>3</sup> The exchange of securities was effected on the basis of one \$20 share of Inspiration Consolidated for two \$10 shares of Inspiration Copper, and two shares of Inspiration Consolidated for one \$10 share of Live Oak. On neither of the directorates of the two constituent companies had the Amalgamated group been represented. The new Consolidated company, however, included on its board Messrs. John D. Ryan, Thomas F. Cole, and William G. Rockefeller. In the first report of the Amalgamated which was issued after the consolidation, we find recorded the purchase of 150,000 shares of Inspiration.<sup>4</sup> Further, in the next year, the International Smelting and Refining Company decided to build a smelter at the Inspiration property, in order to treat the concentrates of that concern (and, if possible, those of the neighboring Miami Copper Company and whatever other custom ores might be available).<sup>5</sup>

The International meanwhile had been expanding in other directions. In the report which he submitted to stockholders in 1911, President Ryan had remarked

<sup>1</sup> *Comm. and Fin. Chron.*, 99:411.

<sup>2</sup> *Ibid.*, 94:1564.

<sup>3</sup> *Ibid.*, 94:126.

<sup>4</sup> *Ibid.*, 96:1420.

<sup>5</sup> *Ibid.*, 96:1736.

that some lead-smelting furnaces were necessary at the Tooele (Utah) smelter, and that a lead refinery was to be installed at Perth Amboy, N. J., the location of the Raritan Works.<sup>1</sup> The lead smelter was constructed and the first furnace blown in on July 29, 1912.<sup>2</sup> The plan for the refinery at Perth Amboy, however, was abandoned. Instead, the International Lead Refining Company was incorporated in Indiana and a refinery site purchased at East Chicago, the stock being subscribed for by the parent company. The refinery constructed there was said to be the largest in the world.<sup>3</sup> In the meantime, Perth Amboy had not been neglected; for the capacity of the Raritan copper refinery was greatly increased.<sup>4</sup>

All this required money. The International announced in fact, in April, 1914, that it had incurred an indebtedness of about \$9,000,000, to which would have to be added some \$2,500,000 for the completion of the smelter at Miami.<sup>5</sup> The "Seven-Sister" legislation of New Jersey, further, had, the company said, put certain restrictions on its powers in regard to holdings of securities of other companies which might in the future need to be organized. The time was said not to be favorable for financing the company's needs by means of stock issues. A meeting was therefore called for May 26, 1914, at which stockholders were to be asked to vote on a dissolution of the company and a sale of the entire property to the Anaconda. It was stated that the latter corporation had offered to purchase the property, business, and good-will of the International, assume all debts, liabilities, and contracts, meet all expenses of transfer, and pay something over \$10,000,000. An

<sup>1</sup> *Comm and Fin Chron*, 92:1559

<sup>2</sup> *Ibid*, 96:1487.

<sup>3</sup> *Ibid*, 94:1564

<sup>4</sup> *Ibid*.

<sup>5</sup> *Ibid*, 98:1319.

exchange of stock, for those who wished to make it, would be made on the basis of 3.3 shares of Anaconda (\$82.50 par, in total) for one share of International (\$100 par).

The proposals of sale and dissolution were duly approved by the stockholders.<sup>1</sup> As a result, Anaconda became possessed of two copper smelters (one in process of construction), a lead smelter, the shares of a lead refinery, and those of a copper refinery. Amalgamated meanwhile owned the shares of the United Metals Selling Company which had formerly owned the shares of the copper refinery and still sold its product, and which had been the owner of 43,000 shares of International,<sup>2</sup> now converted into 141,990 shares of Anaconda. Immediately there was organized, in May, 1914, under the laws of Montana, the International Smelting Company, which took over the properties at Tooele and Miami, issuing therefor \$15,000,000 capital stock, all of which was held by the Anaconda.<sup>3</sup> The latter continued to hold directly the shares of the Raritan Copper Works and those of the International Lead Refining Company as well as those of the Tooele Valley Railway Company and the Raritan Terminal and Transportation Company.

The next episode was the issue by the Anaconda, early in 1915, of \$16,000,000 2-year 5 per cent notes.<sup>4</sup> Part of the proceeds of this issue was to be spent on improvements.<sup>5</sup> The rest was to go to the Amalgamated and to the United Metals. For \$4,769,900 there was acquired from the Amalgamated 150,000 shares of Inspiration

<sup>1</sup> *Comm and Fin Chron.*, 98:1762

<sup>2</sup> Of these, 40,000 had been acquired by the sale of the Raritan Works (*Copper Handbook*, X:1728), the other 3000 had been bought later (*Comm and Fin Chron.*, 94:1564)

<sup>3</sup> *Ibid.*, 99:896

<sup>4</sup> *Ibid.*, 100:735 The Amalgamated notes of 1911 had been renewed in 1913. *Poor's Manual of Industrials*, 1915, p. 1725

<sup>5</sup> *Ibid.*, p. 1081.



Consolidated, 30,800 shares of Greene-Cananea Copper Company,<sup>1</sup> and 1110 shares of Mountain Trading Company, besides small blocks of other stocks. For about \$6,000,000 the United Metals assigned and transferred to the Anaconda all its assets, business, and good-will, except for its 141,990 shares of Anaconda and the stock of metals owned by it. These were turned over to Amalgamated and the company dissolved. There was incorporated at once the United Metals Selling Company of Delaware, with a capitalization of \$5,000,000, to which were transferred such of the assets acquired from the old New Jersey company as were necessary for the conduct of its business; in return for which the Anaconda received its whole stock issue. The Anaconda — the operating company, owner of mines, smelters, and refineries — thereby came into possession of its own selling organization, instead of this being in the hands of the holding company, the Amalgamated.

The final step was taken on June 7, 1915, when Amalgamated shareholders voted to dissolve the company. When the directors, sixteen years almost to a day after the formation of the company, announced the plan of dissolution, they stated that the company's holdings of Anaconda amounted to 3,327,937 shares (out of the 4,662,500 shares then outstanding).<sup>2</sup> Anaconda was at the time selling on the market for about \$35 a share; Amalgamated for \$75.<sup>3</sup> The directors offered to the Amalgamated shareholders the right to buy Anaconda stock from their own company at \$25 a share, in the ratio of one share of Anaconda for each six shares of Amalgamated held by them. This would yield the wherewithal to pay off a small floating debt — about \$800,000 — of

<sup>1</sup> Amalgamated had reported ownership of 100,000 shares of this stock in 1910 and had bought 54,000 shares in 1912 (C. and F. C., 94:1564); it must, therefore, have sold a considerable block of it.

<sup>2</sup> Comm. and Fin. Chron., 100:1594.   <sup>3</sup> New York Evening Post.

the Amalgamated, and enable the distribution of \$50 of Anaconda stock and about \$3 cash for each share of Amalgamated held. Meanwhile the Anaconda shareholders were asked to vote and did vote, to double the par value of the stock and to halve the number of shares.<sup>1</sup> Amalgamated shareholders therefore received one share of Anaconda for each share of Amalgamated surrendered. Following the vote of dissolution, John D. Ryan, who had been president of the Anaconda before he became head of the Amalgamated, assumed again the presidency of the operating company.<sup>2</sup>

Mr. Ryan, in a sort of valedictory, remarked that since its incorporation Amalgamated had earned profits of \$113,032,300, of which \$91,279,147 had been paid in dividends and \$21,551,964 invested in securities later exchanged for Anaconda. These dividends represent payments on an 8 per cent basis (on its original capitalization of \$75,000,000), up to the time when Boston & Montana and Butte & Boston were absorbed, and an average of something under 4 per cent for the fourteen succeeding years.<sup>3</sup> Anaconda had meanwhile averaged about 11 per cent from 1900 to 1910, when its capitalization was increased, and slightly below 10 per cent from that time to the end of 1914.<sup>4</sup> In April, 1915, Amalgamated, with a capitalization of \$153,887,900, held about \$78,000,000 of Anaconda, which would yield just about 5 per cent on the shares of the former if Anaconda dividends continued to average about 10 per cent.

The Amalgamated dividend rate was a variable quantity. Steadiness was apparent chiefly when it was 2 per cent a year. Beginning its history with quarterly

<sup>1</sup> *Comm. and Fin. Chron.*, 100:1754.   <sup>2</sup> *Ibid.*, p. 2012.

<sup>3</sup> Dividend rates in *Poor's Manual of Industrials*, 1915, p. 1727.

<sup>4</sup> Rates given in *Poor's Manual of Industrials*, 1915, p. 1734.

payments of  $1\frac{1}{2}$  per cent and  $\frac{1}{2}$  per cent extra, the company continued these well into 1901, when it first dropped the "extra" payment. In 1902, only  $2\frac{1}{2}$  per cent was paid for the year; in 1903 and 1904, 2 per cent each year. The rate rose during the "boom" period of 1905-1907, so that during 1907 7 per cent was paid. Then for over four full years, a flat 2 per cent rate prevailed. In the second quarter of 1912 the rate began to rise, and in 1913, the last full normal year in the copper industry, it was 6 per cent.<sup>1</sup> How much of the company's profits, or what losses, if any, came from trading in stocks — exemplified by its dealings in Greene Cananea — we do not of course know.

Shareholders of Amalgamated, on surrendering their stock for Anaconda, received an equity in a really remarkable property, with an organization of high quality. More and more Anaconda is standing for productive and selling efficiency and for the most advanced technical skill. When the Amalgamated was formed it represented a certain degree of integration, both within the constituent companies themselves and through the consolidation under one control of copper companies, coal properties,<sup>2</sup> a lumber company, and a railroad.<sup>3</sup> Anaconda has developed into a well integrated concern; representing indeed almost the maximum of integration to be found in the American copper industry. Horizontal combination has also grown. Such of it as there was in 1899 was within one small tho rich mining camp; whereas the Anaconda of April, 1915, combined

<sup>1</sup> Poor, *Manual of Industrials*, 1915, p 1727 *Comm and Fin Chron*, 94:1121. The six per cent rate was maintained in 1914 until the last quarter, when a quarterly dividend of one-half per cent (or two per cent a year) was declared

<sup>2</sup> Not only was there the Diamond Coal & Coke Co., and the Big Blackfoot, but the Washoe owned some valuable coal and timber land See Poor, *Manual of Industrials*, 1915, pp 1731, 1732.

<sup>3</sup> The Butte, Anaconda & Pacific, running from Butte to Anaconda, with some branches The Anaconda always held a large interest in this and now owns its entire capital stock and funded debt See Poor, *ibid*, p. 1732

copper and other properties in Montana, Utah, Arizona, and New Jersey (besides interests in Chile). The Amalgamated was never more than a holding company; Anaconda, always an operating company, is also a holding company, with a tendency to get increasingly direct control of the integrated parts of its business, instead of relying on mere community of interest. How early the deliberate plan of gradual transfer of power from Amalgamated to Anaconda was conceived, it is impossible to say. It is clear that it was hastened by the levying of the Federal corporation income tax,<sup>1</sup> which, under a holding-company régime, resulted in double taxing of profits, and probably by the New Jersey "Seven-Sister" legislation.

What degree of "amalgamation" was in the minds of those who fathered the Amalgamated Copper Company and gave it its name? Before the company was actually formed, all sorts of rumors were current about a huge "copper trust" that was in the making, including one report of a \$400,000,000 corporation. In 1909 it was again bruited about that a big combination in the industry was to be launched. The Standard Oil and Tobacco decisions seem to have discouraged any plans that may have been made at that time. Amalgamated never held anything like a monopoly of copper production in this country.<sup>2</sup> Never did the mining companies in which it had a controlling interest produce more than about 300 million pounds of copper a year; in 1899 and 1900 its subsidiaries produced only about 130 millions. Meanwhile the total production of copper in the United States, from domestic ores, has grown from about 570

<sup>1</sup> Comm and Fin. Chron., 100.1594.

<sup>2</sup> All the figures that follow are necessarily rough, from lack of definite, reliable statistical information (This of course does not include the figures for production in the United States, which are taken from Mineral Resources of the United States, 1914, Pt. I: 545)

million pounds in 1899 to about 1200 millions in each of the last three years. The United Metals Company, it is true, sold and in so far controlled a very large share of American production. Beginning with sales of perhaps 300 million pounds a year, or fully half of our domestic output, it increased its sales until at one time it sold probably over half of the total product of American smelters, from both domestic and foreign ores. But this company, it must be remembered, was for over ten years under the control not of Amalgamated as such, but of Amalgamated interests. Today, moreover, the Guggenheims, not the United Metals, are the largest single factor in copper distribution in the world.<sup>1</sup> United Metals controls perhaps less than 40 per cent of the copper production of North America. No monopolistic situation, therefore, to repeat, resulted from the formation of Amalgamated.

The whole story that has just been sketched forms, as was said at the beginning, an interesting chapter in corporate organization. It has had to be told after the manner of a novel with a complicated plot; and it ends, as a novel should, with the "situations" cleared up (as of June 7, 1915) and with a proper sense of finality left in the reader's mind. To change the figure, after a great deal of scrambling, the necessary amount of unscrambling followed in due time. Perhaps the narrative throws some light on the direction of corporate evolution in this country, in the lessening of the importance of holding companies, especially of those that are holding companies merely. With the passing away of Amalgamated, after its sixteen eventful years of existence, there is in the whole copper industry of the United States only one instance of a really important holding company that is

<sup>1</sup> Private information. United Metals probably still sells more copper from strictly domestic sources than any other concern, but no longer more than half our output

not also in some measure an operating company. That is Phelps, Dodge & Company, the corporation which in 1908 succeeded the old firm of the same name. Even this corporation "operates" to the extent of selling the copper of its subsidiaries and of other copper companies. The Phelps, Dodge interests, further, seem generally to have shown a distinctly separatist tendency in their activities. There has never been a United States Steel Corporation, or anything approaching it, in the copper industry. One may hazard a guess that there never will be.

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